

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION

POSTAL RATE AND FEE CHANGES, 1997

RECEIVED
JAN 20 10 12 AM '93
DOCKET NO. R97-1

**INTERROGATORIES OF UNITED PARCEL SERVICE
TO NASHUA PHOTO INC., DISTRICT PHOTO, INC., MYSTIC COLOR LAB,
SEATTLE FILMWORKS, INC. WITNESS HALDI
(UPS/NDMS-T2-1 through 14)**

(January 20, 1998)

Pursuant to the Commission's Special Rules of Practice, United Parcel Service hereby serves the following interrogatories and request for production of documents directed to Parcel Shippers Association witness Haldi (UPS/NDMS-T2-1 through 14).

Respectfully submitted,



John E. McKeever
Albert P. Parker, II
Stephanie Richman
Attorneys for United Parcel Service

SCHNADER HARRISON SEGAL & LEWIS LLP
1600 Market Street, Suite 3600
Philadelphia, Pennsylvania 19103-7286
(215) 751-2200
and
1225 Eye Street, N.W., Suite 600
Washington, D.C. 20005-3914
(202) 463-2900

Of Counsel.

**INTERROGATORIES FROM UNITED PARCEL SERVICE
TO NASHUA PHOTO, INC., DISTRICT PHOTO, INC., MYSTIC COLOR LAB,
SEATTLE FILMWORKS, INC. WITNESS HALDI**

UPS/NDMS-T2-1. Upon implementation of the proposed Priority Mail delivery confirmation service, will the delivery confirmation service for Priority Mail be superior to the delivery confirmation service for First Class mail?

UPS/NDMS-T2-2. On page 70 of your direct testimony (NDMS-T-2), lines 6 - 12, you list several features that you claim Priority Mail lacks. Please confirm that these are features that First Class mail lacks as well. Please explain any answer other than an unqualified confirmation.

UPS/NDMS-T2-3. Please refer to page 58 of your testimony, lines 6-19, and page 59, lines 1-5. Is it your view that the value-of-service criterion contained in 39 U.S.C. Section 3622(b)(2) refers exclusively to the actual performance of the Postal Service? Please explain your answer.

UPS/NDMS-T2-4. Please refer to page 58 of your testimony, lines 8 through 17 and page 59, lines 3-5. Is it your view that "high intrinsic value of service" requires an achieved performance superior to the performance of First Class letter mail? Please explain your answer.

UPS/NDMS-T2-5. Please refer to page 59 of your testimony, line 14. If the Postal Service had achieved its announced standards for Priority Mail, would it be

**INTERROGATORIES FROM UNITED PARCEL SERVICE
TO NASHUA PHOTO, INC., DISTRICT PHOTO, INC., MYSTIC COLOR LAB,
SEATTLE FILMWORKS, INC. WITNESS HALDI**

your view that Priority Mail had a high intrinsic value of service? Please explain your reasoning.

UPS/NDMS-T2-6. Please refer to page 59 of your testimony. Assume, hypothetically, that the Postal Service were to reduce its Priority Mail standards to the performance levels that you assert are currently being achieved.

(a) Under that assumption, would the fact that the Postal Service were achieving its announced standards justify a high cost coverage for Priority Mail? Please explain your answer.

(b) Under that assumption, would the achievement of the announced standards justify the cost coverage proposed in this case by the Postal Service for Priority Mail? Please explain your answer.

(c) Under that assumption, would the achievement of the announced standards justify a higher cost coverage than proposed by the Postal Service in this case? Please explain your answer.

UPS/NDMS-T2-7. If the Postal Service had no announced standards for Priority Mail, would that eliminate the problems of applying the value-of-service pricing criterion that you assert to exist? Please explain your answer.

**INTERROGATORIES FROM UNITED PARCEL SERVICE
TO NASHUA PHOTO, INC., DISTRICT PHOTO, INC., MYSTIC COLOR LAB,
SEATTLE FILMWORKS, INC. WITNESS HALDI**

UPS/NDMS-T2-8. Please refer to page 59, line 12, of your direct testimony, where you assert that many customers consider Priority Mail a three-day service.

(a) What evidence do you have to support your view?

(b) Assume that customers do view Priority Mail as a three-day service. Does that mean that customers do not view Priority Mail to be a valuable mail offering? Please explain your answer.

(c) On page 71, footnote 80, you note that Priority Mail volume, from 1995 to 1996, grew faster than the growth in the comparable service offerings of competitors. How, if at all, is the growth in Priority Mail volume related to your view that many customers consider Priority Mail to be a three-day service? Please explain your answer.

UPS/NDMS-T2-9. Please refer to page 63, lines 19 and 20 of your testimony. What is the evidence that leads you to conclude that one-third of Priority Mail is handled as First Class Mail?

UPS/NDMS-T2-10. If you are correct that " Priority Mail . . . suffered far more inconsistent and unreliable service than did First Class Mail" (page 62, lines 2 and 3 and page 63, lines 12 and 13), would it follow that handling Priority Mail as First Class Mail (page 63, lines 19-20) would improve Priority Mail performance and increase its intrinsic value, as you define "intrinsic value"?

**INTERROGATORIES FROM UNITED PARCEL SERVICE
TO NASHUA PHOTO, INC., DISTRICT PHOTO, INC., MYSTIC COLOR LAB,
SEATTLE FILMWORKS, INC. WITNESS HALDI**

UPS/NDMS-T2-11. Please refer to pages 67 and 68 of your testimony. Is it a fair understanding of your testimony that the PMPC network will degrade actual Priority Mail performance and increase Priority Mail costs relative to Priority Mail performance and cost without the PMPC network? Please explain your answer.


UPS/NDMS-T2-12. Are you arguing, on pages 67 through 69 of your testimony, that the Postal Service should not have entered into the PMPC contract? Please explain your answer.

UPS/NDMS-T2-13. If the Postal Rate Commission were to set a low cost coverage for Priority Mail on the basis of your analysis contained on pages 67 through 69 of your testimony, would the Commission be substituting its management judgment for that of the Postal Service with respect to the operational arrangements for providing Priority Mail service?

UPS/NDMS-T2-14. Please refer to page 71, footnote 80, where you note that, from 1995 to 1996, the growth of Priority Mail exceeded the growth rate of comparable services offered by its competitors. Assume for purposes of this question that this higher-than-competitors' growth were a reversal of the trend you discussed. On that assumption, what would be the implications for the cost coverage of Priority Mail?

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in
accordance with section 12 of the Commission's Rules of Practice.


Stephanie Richman

Dated: January 20, 1998
Philadelphia, PA